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Ninth meeting of the Conference of
Ministers of African Least Developed
Countries

Addis Ababa, Ethiopia
4 and 5 April 1989

LC/NAIROBI

REPORT OF THE EIGHTH MEETING OF THE INTERGOVERNMENTAL COMMITTEE OF EXPERTS OF AFRICAN LEAST DEVELOPED COUNTRIES

Addis Ababa, Ethiopia, 22 to 24 March 1989

A. ORGANIZATION AND ATTENDANCE

1. The eighth meeting of the Intergovernmental Committee of Experts of African Least Developed Countries was held in Addis Ababa, Ethiopia from 22 to 25 March 1989 to prepare for the ninth meeting of the Conference of Ministers of African Least Developed Countries, scheduled to take place in Addis Ababa, Ethiopia, on 4 and 5 April 1989.

2. The meeting was attended by representatives of the following African least developed countries (LDCs): Burundi, Chad, Djibouti, Equatorial Guinea, Ethiopia, Malawi, Mauritania, Mozambique, the Niger, Rwanda, the Sudan, Togo, Uganda and the United Republic of Tanzania.

3. France was represented by an observer.

4. Also attending the meeting as observers were the representatives of the United Nations Development Programme (UNDP), the United Nations Department of Technical Co-operation for Development (DTCD), the United Nations Conference on Trade and Development (UNCTAD), the International Labour Organisation (ILO), the International Telecommunication Union (ITU), the International Monetary Fund (IMF), the Food and Agriculture Organization of the United Nations (FAO), the International Trade Centre (ITC), the Organization of African Unity (OAU) and the Lutheran World Federation (LWF).

B. OPENING OF THE MEETING

5. The meeting was formally opened by Comrade Seyoum Alemayehu, Vice-Minister of the State Committee for Foreign Economic Relations of the People's Democratic Republic of Ethiopia. In his opening address, Comrade Seyoum welcomed the participants to Addis Ababa and to the eighth meeting of the Intergovernmental Committee of Experts of African Least Developed Countries. Comrade Seyoum pointed out that the first half of the 1980s was fraught with enormous constraints - structural constraints, drought, the negative effect of world recession such as the fall in demand for the export commodities of the African LDCs. In spite of these constraints, however, all the African LDCs have taken wide-ranging actions to implement the Substantial New Programme of Action (SNPA) including major policy reform measures, to revitalize their economies and to lay the foundation for self-sustained development. Many African LDCs have attempted to encourage external resource inflows through acceptance of stringent conditions, including demands for instituting the so-called structural adjustment programmes which have brought widespread social and political problems.

6. Comrade Seyoum referred to the SNPA and stated that the promises that had fueled great expectations when the Programme of Action was launched have not been fulfilled to an extent that would produce a positive impact. At the close of the 1980s, which were billed as years of progress for Africa through an expanded support from the international community, the African LDCs are faced with a situation in which failed aspirations dominate. He

finally wished the participants success in their deliberations and to lay the groundwork for forging a new position of African LDCs vis-a-vis the second United Nations Conference on the LDCs to be held in Paris in September 1990.

7. In his statement, the Executive Secretary, after welcoming the participants informed the meeting that the United Nations General Assembly, at its forty-third session, held on 20 December 1988, decided to include Mozambique in the list of least developed countries. This decision, he went on, brings the number of LDCs in the world to 42, out of which 28 are in the African region. Another significant event which he alluded to was the adoption by the General Assembly of resolution 42/177 to convene a second United Nations Conference on the least developed countries at a high level, to carry out a global review and appraisal of the implementation of the SNPA for the 1980s and to consider, formulate, and adopt, as appropriate, national and international policies and measures for accelerating the development process in the LDCs during the 1990s.

8. In reviewing the economic performance of the African least developed countries in the 1980s, the Executive Secretary pointed out that with output for many countries growing much less rapidly than the rate of population growth, the plight of the least developed countries has become progressively more desperate. Per capita GDP in the LDCs as a group has declined overall, from an average of $US 237 in 1980-1984 to $US 221 in 1987-1988. The structure of GDP remained virtually the same, which strongly suggests that there has been little change in the economies of African LDCs. The LDCs recorded an increase in the domestic savings rate from an average of 4.1 per cent in 1980-1984 to 8.2 per cent in 1988 and a decline in the rate of investment as a percentage of GDP, from an average of 16.3 per cent in 1980-1984 to 13.92 per cent in 1988. Both these trends imply that the African LDCs are unable to invest adequately from their own resources in the productive sectors. The SNPA target of 4.2 per cent per year in agriculture was achieved only in 1986 while the overall annual growth rate of output for the manufacturing sector was a mere 2.4 per cent during 1980-1986, declining to 0.4 per cent in 1987.

9. As regards the progress achieved in the implementation of the Substantial New Programme of Action in the African region, the Executive Secretary stated that the African countries have taken wide-ranging actions to implement the Programme including increases in producer prices and the timely delivery of essential inputs as an incentive to enhance agricultural production, especially of food crops. Non-viable enterprises have either been privatized or management improvements have been instituted. Interest rates have been restructured to encourage domestic savings and measures taken to broaden the tax base. Public sector employment has been reduced and salaries frozen in an attempt to reduce the budget deficit. These concrete actions by African LDCs have not however been matched by corresponding actions required of the international community in fulfilling its commitments on external resource flows and other support measures. Total DAC official development assistance as a percentage of donor GNP remained stagnant, at 0.08 per cent during 1981-1985.

10. Given the inadequate resource flows in the 1980s, the Executive Secretary pointedly asked how much pressure the African LDCs can be expected to bear and to what extent the poorest people in these countries can further reduce their meagre standard of living. At the end of 1987, the total external indebtedness of the 28 African LDCs in Africa is estimated to have been $US 40.16 billion. The magnitude of this debt seems modest, but as a proportion of the combined GDP of the African LDCs, it represented 90.5 per cent in 1987, which implied that borrowing has not resulted in a commensurate expansion in productive capacities. The least developed countries have deep-rooted structural problems, which require special programmes of a size and intensity consistent with national plans and priorities.

11. On the subject of the growth and structure of financial institutions in African LDCs, the Executive Secretary stated that in most African LDCs, the role of financial intermediaries in the growth process has been neglected. The power of credit as an instrument of development and the potential role of credit policy techniques and institutions in the scheme of overall planning has also not received adequate attention. Official attitudes to resource mobilization have been extremely lax, partly because of foreign resource inflows and partly as a result of the inexpensive rediscounting terms and facilities provided by the central banks. Africa's financial structures which were originally designed to meet the needs of the colonial powers, has done little to promote economic growth. It increasingly serves the interest of the urban seats of power, authority and financial patronage. It is the rich farmers, the foreign-owned firms and the immigrant population who secure the available credit from the formal banking system.

12. The Executive Secretary cautioned that the mobilization of resources in African LDCs will not be achieved solely by raising the levels of external assistance. After nearly two and a half decades of political independence, the guiding principle of the economic policy in developing Africa remains that growth can be maximized by ever-increasing foreign aid. It is impossible to find a development plan or, for that matter, a development budget that has been framed without any mention of foreign resource inflows.

13. He finally wished the participants success in their deliberations and informed them that their recommendations would be carefully considered by the Ministers. He then declared the meeting open.

Election of officers (agenda item 2)

14. The Committee elected the following Bureau: Chairman, Rwanda; Vice-Chairman, Ethiopia and Rapporteur, Sudan.

Adoption of the agenda and organization of work (agenda item 3)

15. The meeting adopted the following agenda:

1. Opening of the meeting: statements by Comrade Seyoum Alemayehu, Vice-Minister, Office of the State Committee for Foreign Economic Relations of the People's Democratic Republic of Ethiopia (PDRE), and by Professor Adebayo Adedeji, United Nations Under-Secretary-General and Executive Secretary of ECA.

2. Election of officers.

3. Adoption of the agenda and organization of work.

4. Admission of the People's Republic of Mozambique as least developed country.

5. Review of economic and social conditions in African least developed countries (1980-1988) and the prospects for 1989 and 1990.

6. A Review of the implementation of the Substantial New programme of Action (SNPA) in African LDCs, 1981-1988 and policies and measures for the 1990s.

7. The growth and structure of financial institutions in African LDCs.

8. Review of ECA activities for 1988-1989, and work programme for 1990-1991 in favour of the African least developed countries.

9. Consideration and adoption of the report of the experts.

10. Closure of the meeting.

C. ACCOUNT OF PROCEEDINGS

Admission of the People's Republic of Mozambique as least developed country (agenda item 4)

16. The Intergovernmental Committee of Experts welcomed the admission of the People's Republic of Mozambique to the group of African least developed countries. The representative of Mozambique stated that the achievements of his country, modest as they are, would not have been possible without the material assistance and moral support of the international community and donor countries, which his country greatly appreciates. However, the external assistance that his country received could have been more efficient if it were not for South Africa's destabilizing actions. He stressed that South Africa's support for the armed bandits has been extremely damaging to Mozambique's economy.

17. The representative went on to state that Mozambique had to allocate a substantial part of its resources to defence. In addition, the cost to the nation in human lives, lost production and reduced foreign exchange earnings is enormous. In the face of these and other constraints to national development, Mozambique continues to rely on external support, which is indispensable to its strategy for ultimately achieving self-reliance.

Review of the economic and social conditions in African least developed countries (1980-1988) and prospects for 1989-1990 (agenda item 5)

18. Introducing document E/ECA/LDCs.9/EXP.8/2 on the aforementioned subject, a representative of the secretariat stated that during 1980-1985, the African

LDCs had experienced an economic recession with GDP growth rate in real terms of a mere 0.4 per cent per annum. A semblance of economic recovery emerged during 1986-1988 when GDP (at 1980 constant factor cost) increased by annual average rate of 3.0 per cent per.

19. However, that performance was dulled by the revenue constraint in most of the LDCs economies. Per capita GDP fell by annual average of 1.2 per cent during 1982-1988. The structural imbalance between savings and investments was also markedly pronounced. Indeed, during the period under review, 25 of the 28 LDCs had an investment rate exceeding 10 per cent of their annual GDP while only seven had exceeded this level in terms of savings. The result was an increased dependence of the LDCs group in the order of 57 per cent on external sources for the financing of capital formation.

20. The factors responsible for such dismal performance included: the poor climatic conditions which had prevailed in the first half of the 1980s with the persistence of drought in some LDCs; the low level of inter-linkages in the economies and the fall in prices of the main commodity exports that were important to the African LDCs. The decline in the volume of aid flows by nearly 5 per cent per year particularly from 1985 onwards, further limited the capacity of the countries to import certain essential inputs and spare parts. Another factor that aggravated the economic difficulty in the LDCs was the external debt crisis. The total external debt, including outstanding use of IMF credits as of 31 December 1987 is estimated at $US 40.2 billion. On a per capia basis, repayment was $US 191.4 for the principal and $US 12.5 for debt servicing out of a modest per capita income estimated at $US 221.4.

21. Mention was also made of the measures taken at the national and international levels to ease the various bottlenecks especially through the debt-rescheduling exercises undertaken bilaterally and at the Paris and London Clubs, and resources from the new facilities created by the IMF and the World Bank for sub-Saharan Africa. Thirteen of the first 17 countries eligible for the Structural Adjustment Facility and the Enhanced Structural Adjustment Facility had been African LDCs.

22. The representative of the secretariat then described agricultural performance which, during the period under review, had accounted on average for 42.8 per cent of GDP formation. After the drought years of 1983-1984, the economic situation had improved and the normal year cereal self-sufficiency ratio of 85.5 per cent had been slightly exceeded.

23. In conclusion, he said that the prospect, during the medium-term would be highly dependent on the increase in such external aid as ODA flows, the opening of compensatory mechanisms to more African LDCs and the adoption of adjustment measures which while consolidating social gains would not compromise growth potential. The real growth rate projected for the period 1989-1990 should be about 1.8 per cent a year.

24. In the ensuing descussions, representatives congratulated the secretariat for the quality of the study. It was agreed to discuss the introduction and to submit written comments and corrections on the country profiles to the secretariat.

25. Delegations pointed out that the document lacked a comparative analysis between the economic and social performances of the African LDCs and the other African countries. Because the statistics required to carry out such a comparative study were available at the secretariat, the Committee therefore directed that such a comparative analysis should be undertaken by the secretariat in the future.

26. Another representative said he would have liked the secretariat to state in the study its opinion on the appropriateness of some common positions such as the African Common Position on the external debt in the case of LDCs. Subjects which could be considered in such a study included the impact of structural adjustment programmes on the economies of African LDCs or the alternative solution of African LDCs to structural adjustment.

27. Another representative expressed disappointment at the shortcomings of the document as far as identification of problems specific to African LDCs were concerned. The delegate argued that the macro-economic analysis presented in the document was an old one and did not really show the particularities and the specificities of the African LDCs. Quoting objectives and presenting the crisis without identifying ways and means of overcoming the crisis and finding its causes seemed to leave doubt on the possibility of arriving at an African collective approach as well as a common position before the imminent Paris Conference. He criticized the document for concentrating only on economic arguments and forgetting the social variables. He requested that an overall study be undertaken in order to identify problems specific to African LDCs and find solution to them.

28. In reply to the foregoing statements, the representative of the secretariat said that the debate on the impact of adjustment programmes, as well as the definition of future strategies would be discussed under the subsequent agenda item. The criteria for identifying LDCs were relevant because they described the problems that were specific to the countries concerned. It would be difficult to include studies such as those on structural adjustment in the document under its current format. The inclusion of such a topic would depend on the decision taken by the policy organs of African LDCs.

29. As far as statistical data were concerned, the secretariat had not been able to publish the statistical annex since 1981 because of a shortage of resources. Data had been collected and what was required now was the time and manpower resources to process it.

30. The Committee took note of the study and recommended that in order to enhance the quality of the data, the countries themselves should provide the relevant up-to-date statistics and information which will be used in the revision of the document.

Review of the implementation of the Substantial New Programme of Action in African LDCs, 1981-1988 and policies and measures for the 1990s (agenda item 6)

31. In introducing document E/ECA/LDCs.9/EXP.8/3 under agenda item 6, the representative of the secretariat informed the Committee that the eighth meeting of the Conference of Ministers of African LDCs in resolution 643 (XXIII), had decided to devote its ninth meeting to the preparation of the second United Nations Conference on LDCs which will carry out a global review and appraisal of the SNPA during the 1980s and consider, formulate and adopt appropriate national and international policies and measures to accelerate the development process in the LDCs during the 1990s. In the context of paragraph 4 of United Nations General Assembly resolution 42/177 of 11 December 1987 on the preparations of the Conference, therefore, the secretariat undertook a review of the progress made in the implementation of the SNPA in the African LDCs during 1981-1988 and preliminary recommendations on a framework of policies and measures for the 1990s.

32. Since the overall economic performance of the African LDCs was adequately treated in document E/ECA/LDCs.9/EXP.8/2 presented at the meeting, the representative of the secretariat dwelled on the measures and actions adopted in Africa in the context of the SNPA; international support measures and preliminary recommendations on a framework of policies and measures for the 1990s for the consideration of the Committee. He stated that during the 1980s, all the Governments of African LDCs had taken wide-ranging actions, including major policy reform measures, to revitalize their economies. Producer prices for agricultural output, especially food crops, were increased as an incentive to enhance production. Public enterprises had either been privatized, or measures taken to improve their efficient management. Interest rates were adjusted upwards to encourage increased domestic savings and attempts were made to reduce the budget deficits through cut-backs in recurrent expenditures, all aimed at making resources available for development programmes.

33. The representative of the secretariat stated that for the following up and monitoring of the implementation of the SNPA, all the African LDCs designated national focal points to be responsible for aid co-ordination. He pointed out that the necessary national administrative mechanisms had been established both for internal co-ordination and consultation with donors and that the policy dialogue at round-table and consultative group meetings had led to a better articulation of the macro-economic policy frameworks and created a better understanding of the assistance needs of the LDCs.

34. On international support measures, the representative of the secretariat mentioned that the key provisions of chapter II of the SNPA had not been fully implemented by the international community. Total financial flows (1980 prices and exchange rates) was on average approximately $US 5 billion annually during 1981-1988 which is far below the yearly minimum external funding requirement of the African LDCs estimated at over $US 10 billion.

The ODA target of 0.15 per cent of donor GNP has been met by a few donor countries while a number of major donors are still lagging behind.

35. On policies and measures for the 1990s, the representative of the secretariat stated that the primary objective of the SNPA of introducing structural changes in the LDCs had not been fulfilled and the same factors which prompted the adoption of the Programme are still the major constraints to development in the African LDCs. He pointed out that, on the basis of the broad objectives of the Lagos Plan of Action up to the year 2000, the main areas of policy reorientation during the 1990s should focus on: effective macro-economic management; the tailoring of the design, conditionalities and performance criteria of structural adjustment and stabilization programmes to the peculiar characteristics of the LDCs, and the integration of such programmes in the LDCs medium- and long-term national socio-economic development objectives; effective mobilization and efficient allocation of domestic resources including human resources development and utilization; the enlargement of external assistance, especially of ODA, in volume and terms corresponding to the immediate and long-term needs of the LDCs; commodity stabilization measures and accessibility of LDCs primary commodity exports to markets of developed countries, and the alleviation of the debt burden.

36. In the ensuing discussions, a participant pointed out that the conclusions and recommendations of the global mid-term review of the SNPA in September 1985 had not been reflected. In view of the relevance of the measures the meeting requested that the "Declaration" by the Ministers of African LDCs on the second United Nations Conference on LDCs should take into account the conclusions and recommendations of the Mid-term Review. Another participant stressed the worthwhile nature of the Programme and stated that the main objectives of the SNPA are still valid, moreover that its targets are not beyond the reach of the LDCs, given a favourable international environment. He pointed out that although the African LDCs had adopted reform measures and other activities in the context of the SNPA, the international community had not lived up to its commitments agreed upon in Paris in 1981. He called upon the international community to launch a comprehensive programme of action aiming at poverty alleviation and providing basic needs for the people of the LDCs by the year 2000.

37. A participant pointed out that the paper had a comprehensive coverage of the issues envisaged by the review exercise and that the Committee should deliberate objectively and come up with a set of recommendations that could constitute an African position at the second United Nations Conference on LDCs. He further mentioned that although international assistance had increased in recent years in drought-affected countries, such resource flows were not development-oriented but mainly emergency relief.

38. Another participant stated that the unfavourable international environment has not paved the way for the successful implementation of the SNPA in African LDCs. Such external factors as the determination of commodity prices in international commodity markets while simultaneously pressing for devaluation as a policy instrument in adjustment programmes, have only intensified the

balance-of-payments problems and produced rampant inflationary pressures in the LDCs. On the alleviation of debt, he stated that the complete write-off of ODA debt would go a long way in minimizing the resource problems of the LDCs.

39. The issue of data collection for the preparation of the "Review" was raised by one participant to ascertain the involvement of the African LDCs with respect to the content of the paper since it will be a background document for the preparatory meetings and the second United Nations Conference on LDCs itself. He stated that while studies by certain international organizations had shown a positive impact of structural adjustment programmes the conclusions do not depict the realities obtaining in countries implementing such measures. He further noted that the objectives and strategies of the Lagos Plan of Action remain valid and hence the framework of policies and measures for the 1990s in the paper should form the basis for a common African position at the second United Nations Conference on LDCs.

40. The representative of UNCTAD said that the preparatory process for the second United Nations Conference on the least developed countries, which was being undertaken at different levels, had started with the convening of the meeting of Eminent Persons in the Hague in September 1988. During 1989, the Secretary-General of UNCTAD would convene, as part of the preparation for the Conference, experts meetings on the role of the enterprise sector, non-governmental organizations and women in the development of LDCs and a meeting on trade, technical and economic co-operation between LDCs and socialist countries of Eastern Europe. At the country level, the preparation of country presentations by governments of LDCs were at various stages of preparation. The UNCTAD and ECA secretariats, with financial support from UNDP and the Government of Norway, are providing, on request, assistance to LDC governments for these preparations.

41. At the regional level, in addition to the ninth meeting of the Conference of Ministers of African LDCs, the Economic and Social Commission for Asia and the Pacific (ESCAP) would also convene an intergovernmental meeting in early 1990. Preparations for the meeting of governmental experts of donor countries and multilateral and bilateral financial and technical assistance institutions with representatives of the LDCs, scheduled for 22-31 May 1989, were underway. The meeting of the preparatory committee for the Conference would be held from 26 March to 6 April 1990. Travel and per diem expenses of two participants from each LDC to these meetings will be provided by UNCTAD with financing from UNDP.

42. The representative of the IMF stated that economic difficulties impose severe costs especially on vulnerable social groups, and adjustment programmes designed to overcome such difficulties are not the source of the social costs. For adjusting countries, social problems complicate the task of implementing adjustment programmes, hence additional external financial support is needed to enable them to tackle such problems. Concerning the quality of adjustment programmes formulated with the assistance of the IMF and the World Bank, it should be borne in mind that nobody has claimed perfection for these

programmes; as a human exercise, an adjustment programme should be seen as necessarily imperfect. In evaluating the defects in past programmes, it is also only fair to recognize that, in the technical formulation of the programmes, both the adjusting country and the staff of the multilateral institutions have joint responsibility for the inputs. From this viewpoint, efforts to improve the inputs and preparedness which adjusting countries bring into the programme formulation process are to be welcomed.

43. On the question of arrears to the IMF and their unfortunate effect in interrupting the inflow of external financial assistance, the underlying rationale is not simply to deny needed resources to the affected countries, but to encourage them to take the corrective measures necessary for the restoration of their international credit worthiness. He made reference to the intensified collaborative strategy announced at the September 1988 annual meetings of the IMF and the World Bank in Berlin and informed the meeting that the Government of Japan had established a facility within the IMF to assist countries in arrears to regularize their external indebtedness positions, while making necessary policy efforts to correct the imbalances in their economies.

44. The DTCD representative expressed the view that the study was enlightening enough if the figures provided capture effectively the qualitative changes the LDCs went through. He suggested that the figures should be used more as an illustration for the presentation of the qualitative developments experienced by the countries. The focus should be on structural, institutional and economic change and the measures taken by the Governments and their effective implementation. He urged the secretariat to pass on the concrete formulation of the measures to be taken for the future.

45. The UNDP representative stated that in response to the appeal made by the Secretary-General in General Assembly resolution 42/177, the Governing Council of UNDP at its June 1988 session endorsed the request for financial support and decided to assist LDCs so as to ensure that they participate fully in the Conference and its preparatory work. To this end, UNDP will cover the cost of the major part of the proposed activities by making available to UNCTAD a sum of $US 1,255,000 from the Special Measures Fund for the LDCs. This will cover the financing of 24 man/months of specialists advice through short-term consultancies and mission costs, including travel, per diem and reporting as well as the travel costs of two LDC participants to the two main preparatory meetings and the Conference itself.

46. On UNDP's future role vis-a-vis the LDCs and on possible policy initiatives to improve LDCs' economic and social performance during the 1990s, he stated that UNDP had formulated the following initiatives for consideration by the second United Nations Conference on the LDCs:

(a) Possible increase in IPF resource allocation to LDCs for the fifth programming cycle (1992-1996) by 10 to 15 per cent in real terms;

(b) Strengthened role for the United Nations Capital Development Fund by a concerted effort to achieve a substantial increase in annual contributions and recognizing the special importance of small capital assistance projects for LDCs;

(c) New identity and focus for the Special Measures Fund for the LDCs in line with the wishes expressed by major donors (and in light of UNDP's new Management Development Programme initiative), intended to gear this Fund more specifically towards strengthening the economic management capabilities of LDCs;

(d) Improvements in the aid co-ordination process, in particular through more frequent round-table conferences for LDCs (every two years on average), a stronger emphasis on the role of these donor/LDC consultations within the framework of the new SNPA resolution itself, and full recognition that effective round-tables or consultative groups offer the best hope over the long term for improving country performance and expanding donor support for each LDC in the light of its own special circumstances; and

(e) Reinforce UNDP's priorities in LDCs for projects aimed at building up and strengthening the capacity of the institutions responsible for economic management and aid co-ordination in the LDCs.

47. In response to the various issues raised by the participants, the representative of the secretariat stated that the recommendations of the meeting on the global mid-term review of the SNPA was adequately reflected in the review of the implementation of the SNPA in African LDCs and the draft Declaration submitted for consideration by the experts. The review itself was prepared in response to United Nations General Assembly resolution 42/177 and a comprehensive coverage of the issues addressed was already ensured.

48. On structural adjustment programmes, he drew the attention of the Committee to the conclusions of the ECA study on the implications of structural adjustment and stabilization programmes on long-term growth and development in African LDCs which was presented to the seventh meeting of the Conference of Ministers of African LDCs. He pointed out that based on an analysis of recent data, the LDCs implementing adjustment measures had not received adequate financial support for their programmes. Some countries in arrears to the IMF had been declared ineligibile to use IMF resources which also led to the suspension of agreed programmes and interrupted the flow of donor disbursement of already committed funds. The consequences of these actions and the time lost on re-negotiating the agreement have limited the effectiveness of the measures taken. He mentioned, however, that the applicability of some policy instruments in adjustment packages and their impact on African LDCs' economies can best be attested to by the countries themselves based on the realities obtained.

49. With regard to data collection, he informed the Committee that in addition to a number of missions to African LDCs in 1988 to collect data and information, data was also obtained from the UNCTAD and OECD secretariats and numerous secondary sources.

50. In summing up the discussions, the Chairman echoed the consensus of the Committee to constitute itself into a drafting committee of the whole to finalize the draft Declaration by the Conference of Ministers of African LDCs preparatory to the second United Nations Conference on LDCs.

The growth and structure of financial institutions in African LDCs (agenda item 7)

51. A representative of the secretariat presented document E/ECA/LDCs.9/EXP.8/4 on the growth and structure of financial institutions in African LDCs. He outlined the main findings of the study by stating that the relationship of real and monetary variables has not been sufficiently articulated in the process of development planning. The vast majority of African LDCs have formal plans to develop industry, public infrastructure, foreign trade but in the financial sector, regulation rather than development seems to be the major objective of policy.

52. Expounding on some of the salient features of the banking system, the representative stated that the vast majority of African LDCs have emphasized the establishment of a diversified set of financial infrastructures - development banks, savings banks, postal savings institutions, housing finance institutions, etc., but the ensuing benefits have not been commensurate with substantial costs involved. The institutional financial infrastructure has not significantly departed from the inherited colonial profile. It is increasingly drawn to the urban seats of power, authority and financial patronage. It is the rich farmers, the foreignowned firms and the immigrant population who secure the available credit from the formal banking system.

53. The representative of the secretariat further pointed out that the interest rate charged by the financial institutions, particularly that of development banks is highly subsidized. These low or negative interest rates barely cover average operating costs and are rarely revised with the prevailing levels of inflation. One justification for maintaining a low interest rate structure is to assist small farmers and indigenous small-scale industries, who cannot afford to borrow at high interest rates. It is rare to find a situation however in which subsidies for agricultural credit have resulted in any significant increase in productivity. The low productivity of agriculture may be a consequence of a number of structural rigidities rather than of interest rate per se. Most farmers do not need the incentive of cheap credit to adopt profitable innovations so long as the market for farm output is satisfactory. They do not often ask that their production credit be cheap but rather that it be timely, expeditious and dependable.

54. Apart from repressing the savings mobilization effort, the low or negative interest rates tend to generate excess demand for institutional funds. But as interest rate drops, the banking system attempts to direct a large proportion of its loan portfolio to the most credit-worthy borrowers. Since interest rate subsidy is usually proportional to the amount of the loan, the well-off borrowers benefit from large subsidies, while small-scale enterprises and farmers of limited means receive low amounts. The high degree of correlation between levels of income and access to credit perpetuates the unequal distribution of wealth. Availing cheap credit to help the poor ends up subsidizing the rich.

55. The representative reiterated that interest rate formulation is an exceedingly difficult task, requiring a qualitative judgement of many factors, rather than the application of an interest rate formula. Given the complex and pervasive interrelationship between the real economy and financial markets, it is crucial that the government closely co-ordinates its monetary, fiscal, exchange rate and trade policies. Too high interest rates tend to lower economic growth by reducing investment demand. The consequences of paying a higher interest rate than the underlying productivity of the economy's capital will allow, must be carefully examined.

56. In the ensuing discussions, participants commended the secretariat for the quality of the study. The participants pointed out that the banking system should pursue innovative and flexible policies to bring about significant structural shifts thus allowing the financial saving potential of the rural areas to be tapped more efficiently. One participant proposed that member States should take appropriate accompanying measures to allow the banks to operate effectively in highrisk areas such as agriculture. The reorganization of the rural areas, especially by the creation of co-operatives and rural credit schemes could effectively contribute to enhance rural savings. Such rural transformation would constitute an alternative to the shortcomings of the current banking system. Other participants pointed out that the econometric studies appended at the end of the report needed more refinement and should have included a broader data base to ascertain the genuineness of the results. One participant expressed the view that such studies by the secretariat should be encouraged, but questioned the applicability of the model to his own country circumstances.

Review of ECA activities in 1988-1989 and work programme for 1990-1991 in favour of the least developed countries in Africa (agenda item 8)

57. In presenting document E/ECA/LDCs.9/EXP.8/5 under agenda item 8, the representative of the secretariat outlined the broad objectives of the ECA special programme for the African LDCs. In 1988-1989, the secretariat had prepared several studies in line with the elements of the core-programme, including: Review of economic and social conditions in African LDCs for the period 1986-1987 and 1980-1988; progress reports on the implementation of the SNPA in African LDCs covering 1986-1987 and 1981-1988; the development and efficient utilization of human resources in African LDCs; and the growth and structure of financial institutions in African LDCs. With respect to technical assistance and advisory services, he informed the Committee that both the LDCs Unit and the ECA Interdivisional Committee on LDCs of the secretariat had undertaken missions to LDCs which requested such assistance.

58. On the follow-up on ECA resolution 643 (XXIII) on the preparation for the second United Nations Conference on LDCs, the representative of the secretariat informed the Committee that ECA had held consultations with UNCTAD and OECD officials in Geneva and Paris, respectively, in November 1988 on ways and means of collaborating in response to the request of the African LDCs. He stated that UNCTAD and ECA, backed by UNDP funding,were to field missions in 1989 to all African LDCs to assess the status of preparation of the country presentations and to determine the assistance needs in this

respect. Finally, he gave a detailed outline of the programme of work to be undertaken during 1990-1991, specifically as it related to ECA's activities in the context of the preparation of the second United Nations Conference on LDCs.

59. During the discussions, some participants requested an explanation of the relationship between ECA and UNCTAD in the preparation for the second United Nations Conference on LDCs. One participant informed the Committee about ongoing preparations of his country's five-year development plan and enquired about the possibility of ECA's assistance in finalizing the plan. Another participant expressed surprise at the limited number of advisory missions foreseen in the 1990-1991 biennium and wondered whether it was based on past experience or on the lack of financial and staff resources.

60. In his response, the representative of the secretariat indicated that the relationship between ECA and UNCTAD was adequately reflected in document E/ECA/LDCs.9/EXP.8/3/Add.2 on preparations for the second United Nations Conference on LDCs. He reiterated, however, that as a result of the inter-secretariat consultations, missions were planned by ECA and UNCTAD to LDCs, upon request, to assist in the preparation of country presentations. ECA had prepared a draft of the common African position for consideration by the experts and approval by the Conference of Ministers of African LDCs. Thus the secretariat would be participating in all preparatory work for the Conference itself.

61. In response to the issue of technical assistance missions planned for 1990-1991, he explained to the Committee that both financial and staff resources are extremely limited relative to the increased number of LDCs in Africa from 21 in 1982, when the LDCs Unit was established, to 28 in 1988. He stated, however, that the secretariat would welcome technical assistance requests from member States and would try to provide the services needed.

62. In recognition of the understaffing of the LDCs Unit within the ECA Secretariat and the expanding nature of the ECA special programme in favour of African LDCs, the Committee unanimously agreed to recommend that the Conference of Ministers of African LDCs formulate a resolution calling on the United Nations General Assembly to increase the number of personnel in LDCs Unit within the ECA Secretariat so as to facilitate the smooth functioning and follow-up of the African LDCs expanded programmes.

VII. Consideration and Adoption of the Report (Agenda item 9)

63. The meeting considered and adopted the report, draft declaration and draft resolution after some amendments and agreed to submit it to the ninth meeting of the Conference of Ministers of African LDCs.

Closure of the meeting (Agenda item 10)

64. The Chairman of the Eighth Meeting of the Intergovernmental Committee of Experts of African LDCs thanked participants for the high level of discussions. He expressed the gratitude of the Committee for the excellent facilities provided by the secretariat for the smooth conduct of the meeting.

Annex I

DRAFT RESOLUTION

MEASURES FOR STRENGTHENING THE ECA SPECIAL PROGRAMME FOR LEAST DEVELOPED, LAND-LOCKED AND ISLAND COUNTRIES IN AFRICA

(The United Republic of Tanzania and the Sudan)

The Conference of Ministers,

Recalling United Nations General Assembly resolution 42/177 of 11 December 1987 which mandated the second United Nations Conference on LDCs to consider, formulate and adopt appropriate national and international measures for accelerating the development process in the LDCs during the 1990s,

Recalling also its resolution 397 (XV) of 12 April 1980 requesting the Executive Secretary of ECA to establish, as a matter of urgency, an adequately staffed unit within the secretariat of the Commission to be responsible for the substantial and continuous technical work, and to provide substantive support and advisory services needed to be undertaken in the African LDCs in the context of the Substantial New Programme of Action (SNPA),

Recalling further its resolution 457 (XVII) requesting the ECA Executive Secretary to undertake, upon requests by governments, studies which will assist the African LDCs, inter alia, in the formulation of plans and programmes on the basis of appropriate planning methodologies,

Mindful that the member of LDCs in Africa have increased from 21 in 1981 to 28 in 1988, implying in effect, an expanded work programme and increased responsibilities in the provision of technical assistance and advisory services and the execution of other core elements of the ECA special programme for LDCs,

Recognizing the inadequacy of existing staff resources to meet the assistance needs of the increased number of LDCs in Africa,

1. Expresses its appreciation to the United Nations General Assembly for making available staff resources in the regular budget of ECA for the establishment of the LDCs section within the secretariat;

2. Appeals to the Secretary-General of the United Nations to make available additional staff resources to strengthen the ECA special programme for African LDCs so as to enable the secretariat to respond adequately to the assistance needs of the African LDCs in the context of the LDCs programme for the 1990s;

3. Notes with satisfaction the collaborative efforts of ECA, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) in providing assistance to the African LDCs for the preparation of the second United Nations Conference on LDCs;

4. Urges the Administrator of UNDP to provide resources to ECA under the UNDP fifth Programming Cycle (1992-1996) for the implementation of programmes and projects in the context of the immediate action programme (1991-1995) proposed, as a component of the LDCs programme for the 1990s, by the Conference of Ministers of African LDCs in its Declaration preparatory to the second United Nations Conference on LDCs;

5. Requests the Executive Secretary of ECA to take appropriate follow-up action for the implementation of the resolution and to report on developments to the eleventh meeting of the Conference of Ministers of African Least Developed Countries.